



# LAKE SHORE

F O O D A D V I S O R S



## Weekly Update

Monday, October 5<sup>th</sup>, 2020

### *Jobs Report, COVID-19 Relief Package Spread Optimism*

Stocks closed the week higher as investors are optimistic that Congress will reach a deal on another COVID-19 relief package. The jobs reports indicated the economy added 661,000 jobs, marking a slowdown in the pace of job gains however the unemployment rate came in lower than anticipated at 7.9%. The COVID-19 diagnosis of President Trump and the First Lady dominated news headlines as the two will be going into quarantine with only one month left until the election.

The **Dow Jones Industrial Average** increased 1.9%, finishing at 27,683.

The **S&P 500** increased 1.5% on the week, finishing at 3,348.

The **NASDAQ Composite** increased 1.5% on the week, finishing at 11,075.

Yield on the **10-year Treasury** increased four basis points during the week, ending at 0.70%.

**Crude oil** fell 8.0% on the week, ending at \$37.05 per barrel.

**Corn** rose 4.0% on the week, ending at \$3.80 per bushel.

**NASDAQ Highs:** Beyond Meat, Inc., Renewable Energy Group, Inc., SunOpta Inc.; **Lows:** Rocky Mountain Chocolate Factory, Inc.

**NYSE Highs:** Darling Ingredients Inc., Deere & Co., Dollar General Corp., Zoetis Inc.; **Lows:** None.

### *Featured Stocks of the Week:*

Deere & Co. (NYSE: DE) 10-Year History



Rocky Mtn Chocolate (NASDAQ: RMCF) 10-Year History



Mary Burke  
Partner  
312.348.7081  
mburke@lakeshorefoodadvisors.com

William Whipple  
Partner  
312.348.7076  
wwhipple@lakeshorefoodadvisors.com

Lakeshore Food Advisors, LLC  
20 North Wacker Drive  
Suite 1701  
Chicago, IL 60606

# The Lakeshore Food Chain

Company Name	Price	Price	52-Week Range		Price as Compared to		Forward	Enterprise Value to		Total Debt to LTM
	10/2/20	Compared to 9/25/20	High	Low	YE:			LTM:		
					2019	2018	P/E	Revenue	EBITDA	EBITDA
Dow Jones Industrial Average	27,683	1.9%	29,551	18,592	(3.0%)	18.7%	0.0x			
S&P 500	3,348	1.5%	3,581	2,237	3.6%	33.6%	23.4			
NASDAQ Composite Index	11,075	1.5%	12,056	6,861	23.4%	66.9%				
Sector Average:					8.0%	39.7%				
<b>AGRICULTURAL LAND HOLDINGS</b>										
Farmland Partners Inc.	\$6.84	4.4%	\$7.50	\$5.05	0.9%	50.7%	NM	18.19x	27.9x	14.7x
Gladstone Land Corporation	15.50	4.0%	16.76	9.61	19.5%	35.0%	NM	15.98	20.7	12.9
Limoneira Company	14.54	1.7%	21.85	10.60	(24.4%)	(25.6%)	80.8	2.40	NM	NM
Sector Average:					(1.3%)	20.0%	80.8x	12.19x	24.3x	13.8x
<b>INPUTS</b>										
American Vanguard Corporation	\$13.22	2.8%	\$19.60	\$11.35	(32.1%)	(13.0%)	24.0x	1.23x	10.4x	3.2x
CF Industries Holdings, Inc.	30.57	0.5%	51.06	19.73	(36.0%)	(29.7%)	21.1	3.03	7.2	2.4
Corteva, Inc.	29.37	3.5%	32.08	20.38	(0.6%)	NA	19.8	1.57	10.2	1.2
FMC Corporation	103.61	(1.7%)	113.73	56.77	3.8%	40.1%	15.0	3.64	13.1	2.9
Intrepid Potash, Inc.	8.87	1.8%	34.75	6.00	(67.3%)	(65.9%)	NM	0.95	4.2	2.0
The Mosaic Company	18.31	(1.5%)	22.50	6.50	(15.4%)	(37.3%)	28.2	1.32	8.5	3.8
* Nutrien Ltd.	51.48	(3.2%)	67.37	34.80	(17.2%)	(19.7%)	20.0	1.68	8.8	3.4
S&W Seed Company	2.45	(2.8%)	3.98	1.67	16.7%	35.4%	NM	1.57	NM	NM
The Scotts Miracle-Gro Company	150.75	1.1%	176.08	76.50	42.0%	145.3%	18.8	2.74	15.4	2.8
Zoetis Inc.	163.55	1.7%	166.79	90.14	23.6%	91.2%	43.5	12.97	29.9	2.9
Sector Average:					(8.3%)	16.3%	23.8x	3.07x	12.0x	2.7x
<b>AGRICULTURAL EQUIPMENT</b>										
* Ag Growth International Inc.	\$27.02	(0.3%)	\$48.07	\$15.00	(41.8%)	(42.3%)	14.8x	1.40x	15.7x	9.6x
AGCO Corporation	75.19	5.1%	81.39	35.33	(2.7%)	35.1%	17.1	0.84	9.1	2.6
Art's-Way Manufacturing Co., Inc.	2.35	4.9%	4.37	1.75	32.8%	17.5%	0.0	0.73	NM	NM
* Buhler Industries Inc.	2.26	(5.4%)	3.95	2.26	(22.9%)	(41.5%)	0.0	0.35	NM	NM
CNH Industrial N.V.	7.80	3.2%	11.64	5.06	(29.1%)	(15.3%)	23.4	1.16	20.6	17.8
Deere & Company	224.79	2.5%	226.52	106.14	29.7%	50.7%	24.1	3.11	18.2	8.0
Lindsay Corporation	97.44	2.0%	111.76	71.86	1.5%	1.2%	32.9	2.41	16.7	2.3
Titan Machinery Inc.	14.31	13.0%	18.18	6.96	(3.2%)	8.8%	19.1	0.59	9.6	6.2
Sector Average:					(4.5%)	1.8%	21.9x	1.32x	14.6x	7.7x
<b>AGRIBUSINESS</b>										
The Andersons, Inc.	\$19.44	(0.7%)	\$25.93	\$10.00	(23.1%)	(35.0%)	17.1x	0.26x	9.0x	5.3x
Archer-Daniels-Midland Company	46.74	1.4%	48.56	28.92	0.8%	14.1%	15.1	0.55	9.8	3.4
Bunge Limited	46.39	0.7%	58.19	29.00	(19.4%)	(13.2%)	16.5	0.35	5.3	2.6
Darling Ingredients Inc.	36.82	10.4%	37.47	10.25	31.1%	91.4%	22.8	2.26	7.8	3.4
* Gruma, S.A.B. de C.V.	237.11	(1.2%)	290.27	150.81	22.1%	6.5%	15.4	1.42	8.6	2.4
Ingredion Incorporated	75.77	(0.9%)	99.51	59.11	(18.5%)	(17.1%)	12.5	1.13	7.2	2.9
Landec Corporation	9.43	1.0%	12.09	7.48	(16.6%)	(20.4%)	59.9	0.85	32.9	14.8
MGP Ingredients, Inc.	42.15	12.5%	53.33	21.64	(13.0%)	(26.1%)	16.9	2.05	11.3	1.0
* Olam International Limited	1.25	(0.8%)	1.98	1.24	(30.9%)	(24.2%)	7.7	0.39	8.1	10.1
Sector Average:					(7.5%)	(2.7%)	20.4x	1.03x	11.1x	5.1x
<b>DIVERSIFIED FOODS</b>										
B&G Foods, Inc.	\$28.19	0.9%	\$31.93	\$10.39	57.2%	(2.5%)	14.2x	1.93x	10.1x	5.5x
Campbell Soup Company	48.81	2.6%	57.54	40.70	(1.2%)	48.0%	16.6	2.34	10.7	3.4
Conagra Brands, Inc.	36.88	5.0%	39.34	22.83	7.7%	72.7%	15.2	2.40	11.2	4.1
General Mills, Inc.	62.52	4.8%	66.14	46.59	16.7%	60.6%	17.5	2.83	12.7	3.5
The Hain Celestial Group, Inc.	35.63	7.4%	35.96	18.12	37.3%	124.7%	31.2	1.93	19.3	1.8
The J. M. Smucker Company	116.47	3.9%	125.62	91.88	11.9%	24.6%	14.2	2.30	9.5	2.8
Kellogg Company	64.71	2.6%	72.88	52.66	(6.4%)	13.5%	17.2	2.27	13.2	3.9
The Kraft Heinz Company	30.47	4.6%	36.37	19.99	(5.2%)	(29.2%)	12.0	2.50	9.8	4.5
Lancaster Colony Corporation	176.76	(1.8%)	184.97	114.55	10.4%	(0.1%)	29.9	3.52	20.8	0.1
Mondelez International, Inc.	56.86	1.3%	59.96	41.19	3.2%	42.0%	21.5	3.86	16.2	3.5
* Nestlé S.A.	110.34	0.5%	112.62	83.37	5.3%	38.3%	25.1	3.85	17.3	2.1
* Nomad Foods Limited	25.83	3.3%	26.40	14.08	15.5%	54.5%	16.2	2.33	13.6	4.5
Post Holdings, Inc.	88.70	5.9%	112.38	68.97	(18.7%)	(0.5%)	23.1	2.17	11.6	6.8
The Simply Good Foods Company	22.65	4.0%	28.95	14.08	(20.6%)	19.8%	24.6	3.72	19.9	4.9
SunOpta Inc.	10.13	3.3%	10.57	1.70	213.6%	91.9%	198.8	1.04	16.1	6.4
TreeHouse Foods, Inc.	41.53	4.5%	56.03	33.50	(14.4%)	(18.1%)	15.2	1.02	8.4	4.5
The Unilever Group	52.40	2.7%	55.39	38.42	2.3%	10.5%	20.7	3.17	13.8	2.5
Sector Average:					18.5%	32.4%	30.5x	2.54x	13.8x	3.8x

Company Name	Price 10/2/20	Price Compared to 9/25/20	52-Week Range		Price as Compared to YE:		Forward P/E	Enterprise Value to LTM:		Total Debt to LTM EBITDA
			High	Low	2019	2018		Revenue	EBITDA	
<b>ETHANOL</b>										
Green Plains Inc.	\$15.76	11.1%	\$17.76	\$3.77	2.1%	20.2%	NM	0.45x	90.7x	NM
Pacific Ethanol, Inc.	7.47	13.9%	8.47	0.22	1049.2%	767.6%	5.0x	0.53	46.8x	15.3x
Renewable Energy Group, Inc.	55.70	23.4%	56.30	14.69	106.7%	116.7%	14.0	0.75	3.0	0.2
Sector Average:					386.0%	301.5%	9.5x	0.58x	NM	NM
<b>FRUIT &amp; VEGETABLE</b>										
Calavo Growers, Inc.	\$67.76	(0.5%)	\$95.69	\$48.31	(25.2%)	(7.1%)	23.0x	1.16x	22.8x	1.5x
Fresh Del Monte Produce Inc.	22.87	2.4%	37.47	20.25	(34.6%)	(19.1%)	14.2	0.43	7.1	2.8
Lamb Weston Holdings, Inc.	67.93	4.7%	96.32	39.06	(21.0%)	(7.7%)	30.5	3.22	14.3	4.5
Seneca Foods Corporation	37.24	5.2%	48.05	25.04	(8.7%)	32.0%	0.0	0.41	3.8	1.6
* Total Produce plc	1.14	0.0%	1.52	0.79	(20.3%)	(19.4%)	8.4	0.24	7.1	4.8
Sector Average:					(22.0%)	(4.3%)	15.2x	0.56x	11.0x	3.0x
<b>PROTEIN</b>										
Beyond Meat, Inc.	\$166.24	7.2%	\$172.69	\$48.18	119.9%	NA	NM	25.5	NM	3.9
Cal-Maine Foods, Inc.	38.41	(1.4%)	46.66	30.74	(10.2%)	(9.2%)	32.5	1.20	16.1	0.0
Hormel Foods Corporation	49.02	0.4%	52.97	39.01	8.7%	14.9%	27.9	2.69	14.7	0.8
Industrias Bachoco, S.A.B. de C.V.	38.45	2.9%	55.61	28.04	(26.1%)	(2.8%)	14.3	0.48	7.4	0.8
* JBS S.A.	20.08	(7.0%)	32.10	13.65	(22.2%)	73.3%	5.9	0.51	4.7	3.4
Nathan's Famous, Inc.	51.01	(3.4%)	82.18	39.01	(28.0%)	(23.2%)	0.0	3.20	9.4	5.1
Pilgrim's Pride Corporation	15.53	5.1%	33.67	14.06	(52.5%)	0.1%	9.5	0.53	7.2	3.4
Sanderson Farms, Inc.	120.77	2.3%	179.45	102.13	(31.5%)	21.6%	28.7	0.78	5.3	0.3
Seaboard Corporation	2,950.39	4.1%	4,450.00	2,614.00	(30.6%)	(16.6%)	0.0	0.53	8.1	3.1
Tyson Foods, Inc.	59.31	0.2%	94.24	42.57	(34.9%)	11.1%	11.2	0.77	6.5	2.5
Sector Average:					(9.5%)	(0.5%)	14.4x	1.19x	8.8x	2.3x
<b>BAKING &amp; INGREDIENTS</b>										
* ARYZTA AG	\$0.59	1.6%	\$1.21	\$0.28	(45.7%)	(46.0%)	NM	0.41x	4.4x	4.6x
Balchem Corporation	98.58	3.1%	113.93	78.30	(3.0%)	25.8%	29.7	4.96	21.2	1.4
Flowers Foods, Inc.	24.63	3.8%	25.18	17.42	13.3%	33.4%	20.7	1.48	11.5	2.5
* Grupo Bimbo, S.A.B. de C.V.	38.94	(1.7%)	45.48	26.00	13.1%	(0.5%)	20.5	0.98	7.0	3.1
J & J Snack Foods Corp.	132.53	2.8%	195.72	105.67	(28.1%)	(8.3%)	74.5	2.13	19.3	0.6
* Kerry Group plc	110.30	0.5%	126.50	88.50	(0.7%)	27.5%	29.5	3.06	21.6	2.9
McCormick & Company, Incorporated	192.84	0.7%	211.07	112.23	13.6%	38.5%	34.0	5.39	23.3	3.5
* Tate & Lyle plc	6.76	1.0%	8.11	4.94	(11.0%)	2.5%	13.7	1.24	6.9	1.5
Sector Average:					(6.1%)	9.1%	31.8x	2.46x	14.4x	2.5x
<b>CANDY, NUTS, &amp; SNACKS</b>										
Bridgford Foods Corporation	\$18.70	3.8%	\$31.87	\$14.06	(24.6%)	(5.9%)	0.0x	0.98x	19.6x	3.2x
The Hershey Company	142.92	2.4%	161.83	109.88	(2.8%)	33.3%	22.9	4.26	17.5	2.7
John B. Sanfilippo & Son, Inc.	75.79	2.3%	107.86	66.35	(17.0%)	36.2%	18.6	1.04	9.7	0.6
Rocky Mountain Chocolate Factory, Inc.	2.62	(4.7%)	9.50	2.55	(71.6%)	(69.2%)	0.0	0.61	24.3	11.4
Tootsie Roll Industries, Inc.	31.33	2.8%	38.92	28.99	(5.5%)	(0.5%)	0.0	3.67	18.8	0.1
Utz Brands, Inc.	18.06	6.2%	19.16	9.84	75.7%	87.2%	44.8	NA	NA	NA
Sector Average:					(24.3%)	(1.2%)	28.8x	2.11x	18.0x	3.6x
<b>PET FOOD AND PRODUCTS</b>										
Central Garden & Pet Company	\$40.01	5.8%	\$44.80	\$23.82	28.8%	16.1%	22.1x	0.92x	8.2x	2.8x
Freshpet, Inc.	112.83	10.0%	116.60	40.79	90.9%	250.8%	NM	15.82	161.2	0.3
Sector Average:					59.9%	133.5%	22.1x	8.37x	8.2x	1.6x
<b>WINE &amp; BEVERAGE</b>										
The Boston Beer Company, Inc.	\$880.10	0.5%	\$935.52	\$290.02	132.9%	265.4%	58.7x	7.27x	40.4x	0.3x
Brown-Forman Corporation	75.63	1.5%	83.40	44.68	11.9%	59.0%	44.5	11.01	30.9	2.3
The Coca-Cola Company	49.36	1.3%	60.13	36.27	(10.8%)	4.2%	25.6	7.17	20.2	4.7
Constellation Brands, Inc.	185.60	2.1%	208.55	104.28	(2.2%)	15.4%	19.6	5.85	23.9	3.8
Crimson Wine Group, Ltd.	4.83	(2.8%)	7.94	4.55	(34.7%)	(38.3%)	0.0	1.68	NM	NM
* Diageo plc	26.83	6.4%	33.70	20.51	(16.2%)	(4.0%)	24.6	6.64	18.6	4.4
Monster Beverage Corporation	79.55	1.0%	87.05	50.06	25.2%	61.6%	33.2	9.47	26.1	0.0
Jones Soda Co.	0.16	(7.8%)	0.50	0.15	(45.0%)	(32.3%)	0.0	0.70	NM	NM
National Beverage Corp.	69.96	(0.1%)	86.27	35.71	37.1%	(2.5%)	20.9	2.86	13.4	0.2
PepsiCo, Inc.	138.06	3.4%	147.20	101.42	1.0%	25.0%	23.4	3.29	18.0	3.6
Starbucks Corporation	86.57	2.7%	94.13	50.02	(1.5%)	34.4%	38.5	5.10	20.5	4.5
Willamette Valley Vineyards, Inc.	6.32	1.0%	7.30	4.50	(8.9%)	(8.3%)	0.0	2.18	8.4	1.9
Sector Average:					7.4%	31.6%	24.1x	5.27x	22.0x	2.6x

Company Name	Price 10/2/20	Price Compared to 9/25/20	52-Week Range		Price as Compared to YE:		Forward P/E	Enterprise Value to LTM:		Total Debt to LTM EBITDA
			High	Low	2019	2018		Revenue	EBITDA	
<b>DAIRY</b>										
* Danone S.A.	55.06	0.9%	80.80	50.26	(25.5%)	(10.5%)	15.8	1.95	9.7	3.6
Lifeway Foods, Inc.	5.05	(3.1%)	8.89	1.43	153.8%	168.6%	0.0	0.80	18.3	0.8
* Saputo Inc.	34.10	2.2%	41.95	29.31	(15.2%)	(13.0%)	19.5	1.22	12.3	3.1
Sector Average:					37.7%	48.4%	17.6x	1.32x	13.4x	2.5x
<b>WHOLESALE, FOOD SERVICE, &amp; DISTRIBUTION</b>										
The Chefs' Warehouse, Inc.	\$15.60	11.5%	\$40.33	\$3.55	(59.1%)	(51.2%)	NM	0.66x	14.0x	8.2x
Core-Mark Holding Company, Inc.	29.14	3.2%	34.42	20.94	7.2%	25.3%	18.4	0.13	7.6	2.3
Performance Food Group Company	35.99	6.7%	54.49	7.41	(30.1%)	11.5%	33.4	0.29	13.8	5.7
SpartanNash Company	16.45	2.7%	23.94	9.00	15.5%	(4.2%)	7.2	0.16	5.8	3.5
Sysco Corporation	63.17	1.9%	85.98	26.00	(26.2%)	0.8%	34.6	0.78	16.4	6.0
United Natural Foods, Inc.	15.92	(11.1%)	23.38	5.00	81.7%	50.3%	4.8	0.17	4.4	3.6
US Foods Holding Corp.	22.80	0.6%	42.43	8.32	(45.6%)	(27.9%)	24.3	0.43	11.9	7.5
Sector Average:					(8.1%)	0.7%	20.5x	0.37x	10.6x	5.3x
<b>MASS MERCHANDISE &amp; CLUB STORES</b>										
BJ's Wholesale Club	\$39.54	(1.6%)	\$47.46	\$18.84	73.9%	78.4%	16.9x	0.60x	8.7x	3.4x
Costco Wholesale Corporation	355.01	3.6%	363.67	271.28	20.8%	74.3%	37.0	0.92	21.3	1.4
Walmart Inc.	140.50	2.4%	151.33	102.00	18.2%	50.8%	26.0	0.84	11.4	1.8
Sector Average:					37.6%	67.8%	26.6x	0.79x	13.8x	2.2x
<b>DOLLAR STORES</b>										
Dollar General Corporation	\$211.52	1.5%	\$213.92	\$125.00	35.6%	95.7%	22.7x	2.01x	12.1x	2.5x
Dollar Tree, Inc.	90.76	1.5%	119.71	60.20	(3.5%)	0.5%	16.5	1.22	6.7	2.3
Sector Average:					16.1%	48.1%	19.6x	1.62x	9.4x	2.4x
<b>TRADITIONAL RETAIL</b>										
Albertsons	\$13.74	1.4%	\$16.50	\$12.91	NA	NA	12.3x	0.31x	4.9x	3.5x
* Ahold Delhaize	25.19	(1.4%)	26.86	18.04	13.0%	14.1%	11.5	0.53	6.1	2.7
Ingles Markets, Incorporated	38.86	6.5%	49.14	32.21	(18.2%)	42.8%	0.0	0.33	4.3	2.5
The Kroger Co.	34.07	1.6%	37.22	23.71	17.5%	23.9%	12.3	0.34	6.1	2.9
Village Super Market, Inc.	24.48	1.6%	28.71	16.48	5.5%	(8.5%)	0.0	0.23	4.4	1.5
Weis Markets, Inc.	49.16	3.0%	59.39	32.44	21.4%	2.9%	0.0	0.34	4.8	0.8
Sector Average:					14.4%	15.0%	7.9x	0.35x	5.1x	2.3x
<b>SPECIALTY RETAIL</b>										
Natural Grocers by Vitamin Cottage, Inc.	\$10.40	8.1%	\$17.39	\$5.41	5.4%	(32.2%)	0.0x	0.60x	5.6x	3.7x
Sprouts Farmers Market, Inc.	20.69	(1.3%)	28.00	13.00	6.9%	(12.0%)	11.9	0.62	5.7	2.5
Sector Average:					6.1%	(22.1%)	5.9x	0.61x	5.7x	3.1x
<b>TRADITIONAL RESTAURANTS</b>										
Brinker International, Inc.	\$43.56	(3.0%)	\$49.61	\$7.00	3.7%	(1.0%)	20.9x	1.41x	8.8x	4.9x
The Cheesecake Factory Incorporated	29.29	9.5%	45.24	14.52	(24.6%)	(32.7%)	140.3	1.38	10.2	6.9
Darden Restaurants, Inc.	104.21	7.2%	124.01	26.15	(4.4%)	4.4%	21.3	2.41	18.2	5.8
Dine Brands Global, Inc.	57.60	4.3%	104.47	14.16	(31.0%)	(14.5%)	14.4	3.57	14.2	10.7
Jack in the Box Inc.	83.52	4.1%	93.12	16.81	7.0%	7.6%	17.1	4.11	9.7	5.6
McDonald's Corporation	222.67	2.1%	226.72	124.23	12.7%	25.4%	29.8	11.21	20.2	4.9
The Wendy's Company	23.18	8.6%	24.04	6.82	4.4%	48.5%	35.6	6.45	22.7	10.1
Yum! Brands, Inc.	95.17	4.1%	115.17	54.95	(5.5%)	3.5%	26.9	7.11	20.9	6.3
Sector Average:					(4.7%)	8.0%	38.3x	4.71x	15.6x	6.9x
<b>HIGH-GROWTH RESTAURANTS</b>										
Chipotle Mexican Grill, Inc.	\$1,254.80	0.8%	\$1,384.46	\$415.00	49.9%	190.6%	70.9x	6.62x	40.9x	3.3x
El Pollo Loco Holdings, Inc.	16.36	6.0%	19.90	6.15	8.1%	7.8%	19.7	2.07	10.8	4.3
Noodles & Company	7.39	6.2%	9.31	3.14	33.4%	5.7%	61.6	1.50	11.0	6.2
Potbelly Corporation	3.82	5.2%	6.00	1.50	(9.5%)	(52.5%)	NM	0.93	6.1	5.0
Shake Shack Inc.	66.77	0.8%	95.79	30.01	12.1%	47.0%	NM	5.09	29.0	3.9
Wingstop Inc.	142.82	5.3%	170.00	44.27	65.6%	122.5%	111.7	20.10	69.9	5.2
Sector Average:					26.6%	53.5%	66.0x	3.24x	19.5x	4.6x

Notes:

\* Denotes local currency.

Source: Capital IQ.

Summary multiples adjusted for extraordinary and non-recurring items; outliers excluded from mean calculation.

# Major Indices (1-year & 12-year History)

## S&P 500



## Dow Jones Industrial Average



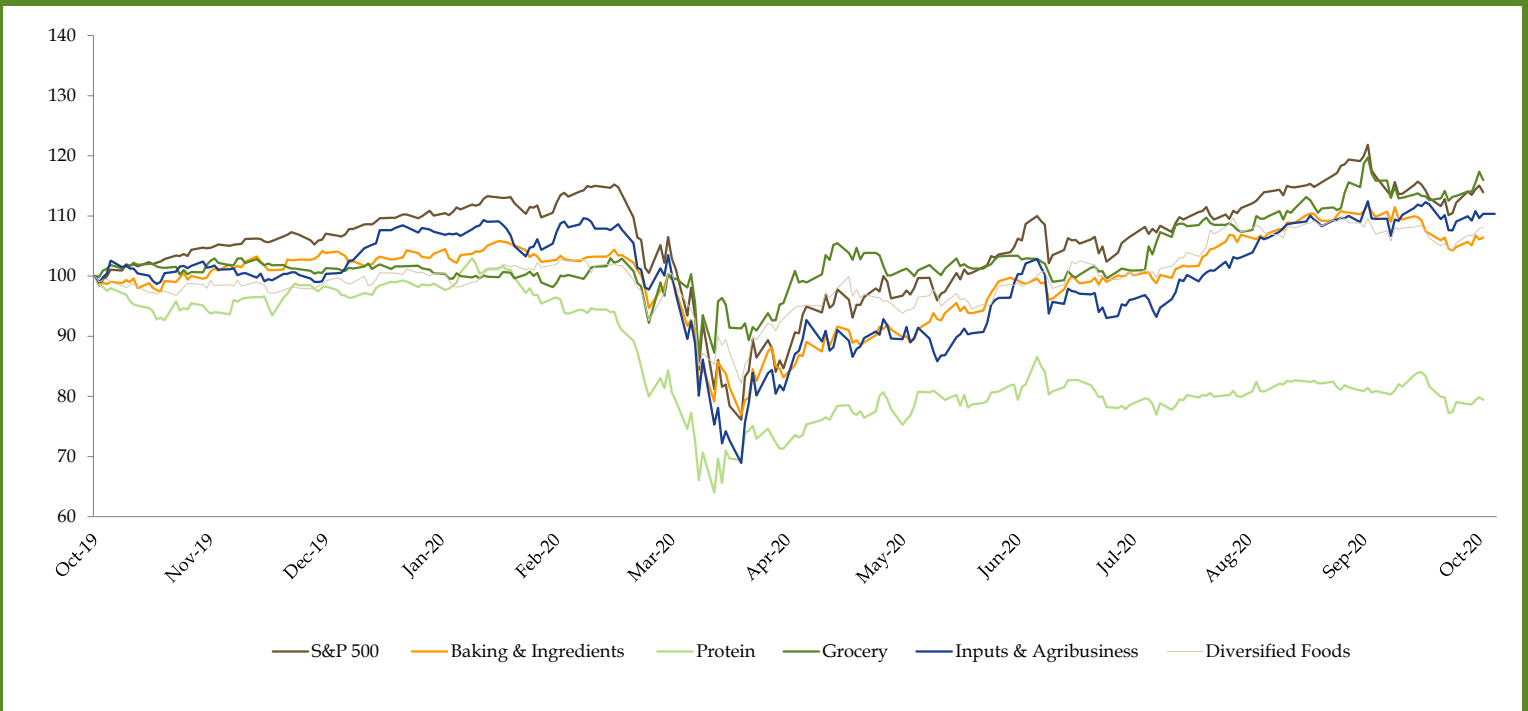
## 10-year Treasury



## CBOE Market Volatility Index - VIX



# Lakeshore Sector Indices vs. S&P 500 (1-year Only)



## Food For Thought...

Partner Column

Written By William Whipple

**Deere & Company.** Our front-page high stock of the week selection. I struggle with John Deere like I struggle with purchasing a new car. Do I really need all John Deere's fancy electronic gadgets or, like my new car, I just want a place to plug in my Apple cell/computer to operate my life, where-ever and however I desire? The company doubled consensus profits in the 3rd quarter despite a 27% construction sales decline and a 310 basis points drop in operating margins to 9%. The company has a big finance arm and I have always been suspicious of playing games with its financing balance sheet. But congratulations John Deere!

**ConAgra Realizes 15% Organic Growth / 20% Adjusted Operating Margin.** The company turned in impressive performance as it continues to benefit from consumer's turn homeward. Barron's has a \$35/share "Fair-Value" on the stock which is currently trading at \$36+/share. The question to ConAgra, and all the package food stocks, will the benefits last once the pandemic has subsided? Innovations are helping as 17% of first quarter sales were from products launched within the previous three years. ConAgra's sales base includes 55-60% highly processed foods which face secular headwinds. Don't know if highly processed brands can be re-positioned? But the company has many other No.1 and 2 market-share brands which command a pricing premium. The most significant risk most food companies share is the evolving consumer nutritional preferences - away from highly-processed foods to fresh & natural selections. Walmart represents 24% of ConAgra sales.

**U.S. Grain Sale Is A Success.** A month ago, I commented the US was running a sale on its corn/soybeans/wheat commodities and prices were at historical low levels. Since then, exports have set record sales, which when combined with lower crop production expectations has reduced corn and soybean carryover levels to the minimum allowable levels. There were some additional positive surprises from delayed livestock marketing due to COVID-19 and reduced DDG ethanol availability. The other new grain supply factor is poor quality inventory in farmer-owned grain storage. With all the new on-farm grain storage that has been added over the past several years, measuring the quality of farm-storage has become, at best difficult due to adding another uncertainty to the analysis. Grain prices have risen substantially.

**Barron's Aurora Cannabis Stock Plunged 30%.** The Barron's stock fell because it is "growing so much weed." The company

reported a full-year net loss of 3.3 billion Canadian dollars (\$2.48 billion). Investors know that big write-downs are coming, and the company's outlook didn't do anything to improve sentiment for the struggling stock. Aurora Stock is down 90% from 1-year ago. Holy Cow!

**Cattle On-Feed Inventories Running At All-Time High Levels.** Up 4% - plenty of cattle in the system to fill processing plants. Still working through big hog inventories created this summer by COVID-19! Processing plants have been highly profitable.

**Cheese Making Margins Normalized.** Profitability margins normalized from unsustainable highs in summer. Implied cheese-making margin remains in the high-single digits! Cheese production remains strong.

**Treehouse Foods.** The largest pure-play private label consumer-goods supplier in the U.S., but is there adequate clout to support a sustainable economic profit? The company competes in 29 categories. Revenue is barely growing - say 1% - driven by snacks segment. The largest ten customers account for 60% of sales, Walmart alone constitutes 25%. Operating margins average 5% in 2019 with plans to increase to 6% by 2024? The widening margin forecast is from single-serve volume. With razor-thin margins, the company has to clear a higher size & scope threshold with customer concentration. Company acquired Ralcorp from ConAgra in 2016, after huge write-downs at ConAgra.

**Kraft Heinz.** The company sold its cultured/grated/specialty cheese business to the French Groupe Lactalis for \$3.2 billion, or 1.8x trailing sales and 12x adjusted EBITDA. Kraft stock has declined from \$35 to \$30/share in the past 10 months, even though Barron's has \$48/share Fair-Value on the stock.

5-years have passed since the marriage of Kraft and Heinz by the Brazilians and Warren Buffett. Although the original intent was enhanced profitability, Kraft stock has declined 57% in the 5-years since the acquisition! Yours truly is a sad Kraft Heinz shareholder!

*Have a good week and stay safe!*



## Food For Thought...

**Cal-Maine Foods Reports Q1 FY 2021 Earnings.** Last Monday, Cal-Maine reported net sales of \$292.8 million, which was a 21.4% increase compared to the first quarter of fiscal 2020, which had \$241.2 million in sales. The company reported a net loss of \$19.4 million, or \$0.40 per basic and diluted share for Q1 2021. This compared favorably with Q1 2020, in which Cal-Maine registered a net loss \$45.8 million, or \$0.94 per basic and diluted share.

For the first quarter of fiscal 2021, total dozens of eggs sold were up 3.8% year over year. Chairman and CEO Dolph Baker ascribed this jump to “continued strong retail demand as consumers are still preparing meals at home.” Baker went on to say that “while demand from food service customers is improving, it is still well below pre-quarantine levels, which we believe has constrained the price of shell eggs in the retail market.”

The Southeast large market average price for conventional eggs was \$0.95 per dozen, an increase of 13.1% compared to \$0.84 per dozen for in the first quarter of fiscal 2020. Their average sales price increased 17.8% over the first quarter of fiscal 2020, in which the company faced record low prices as a result of an oversupply of eggs.

Overall egg supply has declined significantly, with overall demand predicted to continue to improve as foodservice sales return to pre COVID-19 levels. The USDA reports that hen hatches from January through August 2020 were down 2.7% year over year, which will likely serve to further dampen future egg supply levels.

Sales of specialty eggs increased year over year, totaling \$129.2 million in the first quarter of 2021, compared to \$111.2 million in the first quarter of 2020. This increase in specialty egg revenue presents a 15.5% increase in specialty dozens sold and a \$0.011 increase in net average selling price per dozen year over year, as demand for specialty eggs benefitted from higher conventional egg prices.

**UNFI Reports Q4 2020, FY 2020 Earnings.** Last Monday, United Natural Foods, Inc. reported strong fourth quarter and full year fiscal 2020 results. In particular, for the full year 2020 financials, net sales increased to \$26.5 billion, with adjusted EBITDA increasing to \$673.0 million. Moreover, adjusted EPS increased to \$2.72.

Chairman and CEO Steven L. Spinner was pleased with the year, saying “fiscal 2020 was a monumental year for UNFI as the demonstrated flexibility and strength of our supply chain network led to full year results that exceeded our expectations.”

Fourth quarter data backed this positive sentiment, as the company saw significant growth across a multitude of metrics. In particular, adjusted EBITDA increased 19.3% to \$198.0 million, representing a 27.9% increase year over year. Moreover, adjusted EPS increased 202.9% to \$1.06, representing a 205.2% increase on a comparable basis.

These strong recent financials, combined with expectations for continued momentum in fiscal 2021, have led to the company posting strong projections for the next year. UNFI projects 3.3% sales growth, 5.5% adjusted EBITDA growth, and 21.3% adjusted EPS growth for 2021. While this outlook assumes that food-at-home consumption remains at elevated levels, the company believes that significant growth could continue in the near future amidst the pandemic shopping patterns.

**Conagra Posts Strong Q1 Fiscal 2021 Results.** Last Thursday, Conagra posted earnings, with both the top and bottom lines leaping and beating expectations. The company benefitted from higher at-home consumption driving their retail business, which outweighed decreases in sales witnessed in the foodservice segment due to COVID-19. Quarterly earnings were \$0.70 per share, surpassing projections of \$0.57 and exhibiting a 62.8% jump from Q1 2020.

Conagra had net sales of \$2.7 billion, which represented a 12.1% year over year increase. This sales jump was generated primarily by organic sales increasing 15% as a result of higher volumes and favorable price/mix. Adjusted gross profit also saw a surge, increasing 21.7% to \$823.0 million. Moreover, this resulted in a gross margin expansion, which was ascribed to a combination of higher sales, favorable margin mix, fixed cost leverage, and cost synergies realized from Pinnacle Foods' buyout.

During Q1 2021, the company paid out its quarterly dividend of \$0.21 cents per share. In addition, the company announced a dividend hike starting in Q2, with a new quarterly dividend of \$0.27 cents per share, a 29% increase, which brings the company's annualized dividend to \$1.10 per share.

Conagra is now on track with its goal of de-leveraging and has decreased its total gross debt by \$1.9 billion since its buyout of Pinnacle Foods. The company's net debt to TTM EBITDA ratio is now 3.7x and is approaching the 3.5-3.6x target outlined by management, with the goal of reaching this target by the end of Q3 2021. Moreover, the company announced an agreement to offload its H.K Anderson business to Utz Quality Foods, LLC. The deal is expected to be completed by Q2 Fiscal 2021 and should serve to further reduce the company's net debt and will hopefully not significantly alter performance.

## Heard on the Street...

### **AppHarvest To Go Public VIA SPAC Acquisition.**

Agricultural technology company AppHarvest announced last Tuesday that it planned to go public via an acquisition with blank-check company Novus Capital Corp. The deal will value the company at around \$1.0 billion dollars. AppHarvest will receive \$475.0 million from firms such as Fidelity Management, Inclusive Capital, and Novus Capital.

The Kentucky based AppHarvest builds large indoor farms and greenhouses throughout the Appalachian region of the United States. The company hopes to utilize these farms to improve crop yields and increase access to non-GMO food. AppHarvest currently operates a 60-acre tomato facility in Morehead, Kentucky and hopes to harvest its first tomatoes early next year. The company says that its process uses 90% less water than traditional agriculture and can help lower the cost of transportation.

"We now know that, to build a more resilient food system that meets our growing population demands, we must immediately start building controlled environment agriculture facilities, as these farms use far fewer resources to grow far more produce," said AppHarvest CEO, Jonathon Webb. He continued, "We believe that this partnership with Novus Capital is a transformative transaction which will allow us to both rapidly scale our agriculture facilities, in pursuit of our goal to redefine American agriculture, and build the country's AgTech capital within Appalachia."

The company plans to use the capital to scale up their indoor farming facilities and expects to close the deal in the late fourth quarter or early 2021.

**Utz Acquires Filled Pretzels Brand.** Last week, Utz Quality Foods entered into an agreement to acquire select assets of H.K. Anderson, a brand of peanut butter filled pretzels owned by ConAgra. The acquisition comes at a time where pretzel sales have increased around 10% to \$1.4 billion for the 52-week period ended September 6<sup>th</sup>. The acquisition will include intellectual property specific to the brand and will not include any employees, facilities, or equipment. The transaction is valued at less than \$10.0 million and is expected to close in November.

"The approximate \$100.0 million filled segment of pretzels is ripe for innovation and growth," said Dylan Lissette, chief executive officer of Utz Brands, Inc. "As we look to increase our share in the rapidly expanding salty snack category through new products and geographic growth, this type of acquisition is tailor made for the synergies and growth opportunity afforded by our platform."

**Olymel To Invest \$30 Million In Poultry Plant.** Last week, Olymel announced plans to invest C\$31.5 million into its poultry slaughtering and cutting plant in St-Damase, Monteregie. The investment will add 35,200 square-feet to the current facility and will add 80 new jobs bringing the total number of employees at the facility to around 500.

The investment will add an automated cutting line, three automatic deboning lines, four tray packing lines, a new shipping area, a new refrigerated warehouse, and more. The work is expected to last about a year and will take place without interrupting current plant operations.

"By acquiring the space and equipment needed to pre-package products directly at the plant, Olymel will be able to better serve clients who require large volumes of pre-packaged poultry products for their needs. Olymel will thus bring operations that used to take place externally in-house, enabling it to reduce product handling and transportation time, and have better control over quality, order management and logistics," said Réjean Nadeau, President and CEO of Olymel. "After the recent difficult months marked by the pandemic, it is also a sign of confidence in the future."

Since 2016, Olymel has spent almost \$60.0 million to modernize and expand the St-Damase plant. The company added an air-cooling room in 2016 and installed a CO2 anesthesia in 2019. The St-Damase plant currently produces over 70 million kilos of poultry products annually.

**Mount Franklin Foods To Open New Candy Facility.** The El Paso, Texas based Mount Franklin Foods opened a new candy manufacturing facility. The company is known for its brands including Party Sweets mints, Sunrise candies, Brewhouse Legends snack nut mixes, Nubu snacks and nuts, and others. The facility is in San Jeronimo, a port city in the Mexican state of Chihuahua that sits across the U.S. Border from Santa Teresa, New Mexico. The 220,000 square-foot facility will be able to produce 130 million pounds of soft non-chocolate candy a year. The facility's first line will begin operations in October and the second will be operational by the second quarter of 2021. The facility will also have a packaging line and R&D capabilities.

"We are dedicated to advancing Mount Franklin Foods through continued investments in technology and manufacturing services for the growing confections market," said Eloy S. Vallina L., chairman of the board for Mount Franklin Foods. "This major investment underscores our commitment to our core confectionery business and to innovation that will help our customers thrive."



# Loans

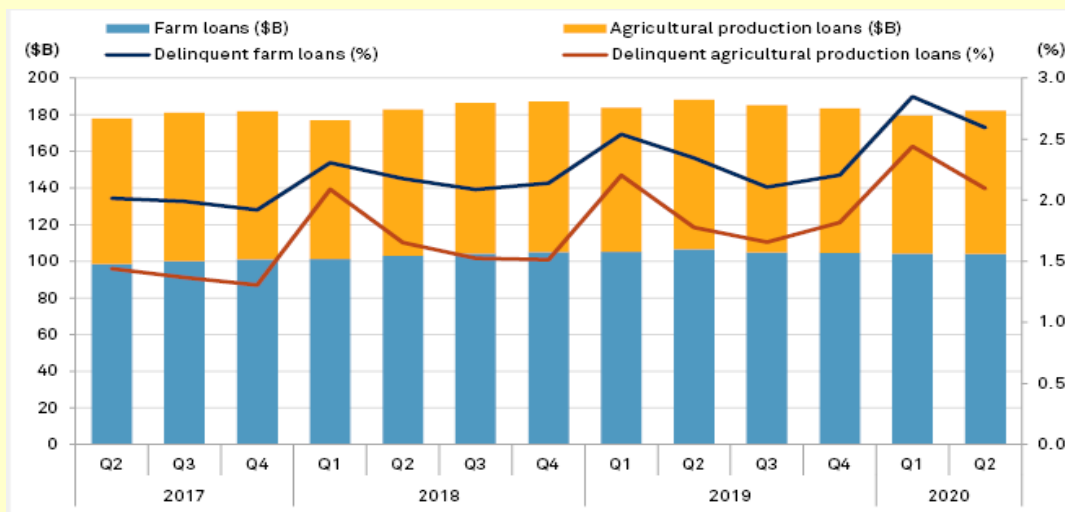
According to data compiled in early September, delinquencies on agriculture loans have risen year over year, but have declined since the emergence of the COVID-19 pandemic. In fact, as of June 30<sup>th</sup>, these delinquencies are up to 2.4% from 2.1% in 2019, but down from 2.7% from the first quarter of 2020.

farm loans is up 1.5% from March 2020 and down 3.2% from Q2 2019, totaling \$182.14 billion in the second quarter of this year.

John Deere Capital Corp. remains the largest lender of agricultural loans as of June 30<sup>th</sup>, with over \$16.95 billion in loans outstanding. John Deere's portfolio for agricultural loans is up 6.7% from 2019.

Total dollar value of agricultural lending from production and

## Agriculture Delinquency Rates at U.S. Banks



## Top U.S. Banks by Agriculture Loans, Q2 2020

Company (top-level ticker)	City, state	Agriculture loans			Total YOY growth (%)	Proportion of total loans (%)
		Total (\$M)	Agricultural production (\$M)	Farm (\$M)		
John Deere Capital Corp. (DE)	Reno, NV	16,951.0	16,951.0	0.0	6.7	51.1
Wells Fargo & Co. (WFC)	San Francisco, CA	6,018.0	3,909.0	2,109.0	-12.4	0.6
BNP Paribas USA Inc. (BNP)	New York, NY	2,983.1	2,054.7	928.4	-18.7	4.3
Bank of America Corp. (BAC)	Charlotte, NC	2,332.0	490.0	1,842.0	-8.3	0.2
Great Western Bancorp Inc. (GWB)	Sioux Falls, SD	1,813.2	954.0	859.2	-11.4	17.6
Pinnacle Bancorp Inc.	Elkhorn, NE	1,765.3	827.2	938.1	2.2	18.6
U.S. Bancorp (USB)	Minneapolis, MN	1,564.0	653.0	911.0	-4.4	0.5
Bremer Financial Corp.	Saint Paul, MN	1,307.2	638.3	668.8	3.4	12.3
BMO Financial Corp. (BMO)	Chicago, IL	1,296.0	547.8	748.2	-7.3	1.4
Citigroup Inc. (C)	New York, NY	999.0	930.0	69.0	-6.9	0.1
Dacotah Banks Inc. (DBIN)	Aberdeen, SD	979.5	389.0	590.6	1.0	41.5
Ida Grove Bancshares Inc.	Ida Grove, IA	976.2	403.1	573.1	5.2	74.0
Farmers & Merchants Bancorp (FMCB)	Lodi, CA	899.8	263.0	636.8	0.9	29.4
Columbia Banking System Inc. (COLB)	Tacoma, WA	846.0	541.7	304.3	13.7	8.6
Fulton Financial Corp. (FULT)	Lancaster, PA	822.0	144.2	677.8	-9.3	4.4
Stockman Financial Corp.	Miles City, MT	798.7	324.6	474.1	-3.5	27.2
Truist Financial Corp. (TFC) <sup>1</sup>	Charlotte, NC	798.0	262.0	536.0	-8.7	0.2
Arvest Bank Group Inc.	Bentonville, AR	786.3	179.4	606.9	-0.6	5.3
JPMorgan Chase & Co. (JPM)	New York, NY	783.0	663.0	120.0	-12.8	0.1
SVB Financial Group (SVB)	Santa Clara, CA	754.8	20.3	734.5	13.4	2.1
<b>Industry aggregate<sup>2</sup></b>		<b>182,136.0</b>	<b>78,086.0</b>	<b>104,050.0</b>	<b>-3.2</b>	<b>1.7</b>

Source: S&P Global Market Intelligence

# Commodities Overview (1-year & 12-year History)

## Corn



## Wheat



## Hogs



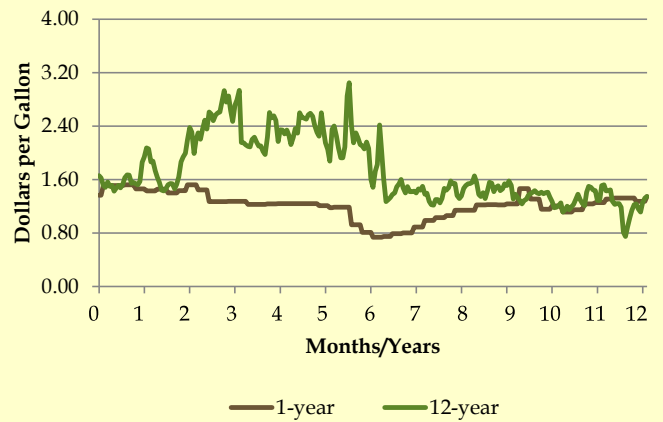
## Broilers



## Cattle



## Ethanol



Broiler price based off spot closing price. All other commodity prices are based off the closing price of their respective nearby futures contract.

Sources: Thomson Financial Data Securities, Capital IQ, Reuters, Edgar Online, Wall Street Journal, Barron's, New York Times, Bloomberg, Chicago Tribune, Denver Post, MarketWatch, USDA, The Economist, BusinessWeek, Food Institute, Food Business News, Supermarket News, LPC, Company Press Releases. The information contained in this publication is compiled using publicly available news/media sources and industry-specific sources that Lakeshore Food Advisors, LLC ("LFA") believes to be reliable, but the accuracy and completeness of which LFA cannot guarantee.

Please send your feedback and comments to Mary Burke at 312.348.7080 or mlburke@lakeshorefoodadvisors.com.